

## Mortgage loans for Chinese buyers of foreign properties

### Description

You all know that the Chinese people are buying up your land, esp in the USA, Canada, Australia or Singapore, unfortunately pushing up local property price, precipitating homes out of the reach of a lot more ordinary families. But sorry, I am not here to alleviate the problem but to add fuel on the fire.

Many foreign property developers have been targeting Chinese buyers for their new houses, apartments or commercial properties, and they all face one same headache: how to help their Chinese buyers to move money out of China to their own pockets.

As you may have been aware, there are quite a number of ways to arrive at that goal: underground banking (the biggest contributor to the huge outflow of capital out of China), fake trade, fake investments and fake credit card transactions and the like. But not Chinese buyer is willing to go that way, since many of buyers are not really moguls having a lot of money to move and wishing to take that risks.

I recently (indeed it has been there for some while) discovered that some banks are now offering a perfect alternative to Chinese investors/buyers for overseas real estate properties: they are now offering offshore mortgage loans to Chinese buyers who are often their high net worth customers. Those banks have both Chinese branch and the branch office outside of China mainland (in HK or Singapore), and they can help Chinese buyers to open offshore bank accounts without going to the offshore bank counters, and then they will approve a certain amount of offshore loans denominated in USD or other hard currencies which will be used to pay for the houses, apartments or other types of properties. The bought properties will be mortgaged to the bank to secure the loan.

It is almost perfect.

First of all, it avoids the big headache of moving a big amount of money cross Chinese borders. Due to the stringent control of foreign exchange and due to an increasing concern of capital flee out of the country, China has tried to dam up channels for taking money cross its borders. With the big trunk of the purchase price to be paid with the mortgage loan, that headache and trouble is saved.

Secondly, though Chinese buyers are paying some interest rate to the bank, compared to cost of financing in China mainland, the interest rates now in Canada or USA are very low and therefore it is quite cheap to borrow money from banks. Chinese buyers should be happy of not having to use their own money which may be used otherwise within China for other high-yield investments.

Thirdly, for banks, those Chinese buyers are often their high net worth customers with good credibility and the risk exposure is manageable and very often the Chinese buyers will be asked to deposit a sum of money with the onshore branch office of the bank whose offshore branch extends the loans to Chinese property buyers. Besides they will also have the mortgage over the property.

But that said, I was told that those banks only give loans to Chinese buyers of new properties. In other

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words, Chinese people who buy second-hand properties are not accorded with this facilitation. It is a big pity. Property developers in Australia, United States, Canada, Singapore or UK are welcome to contact us for help at some reasonable fees.

Lastly, please note in practice, banks often ask loan applicants to approach loan consultation companies for advice to get their application materials look better, and very often those loan consultation companies will help to apply some makeup to those application documents. This way, banks can avoid risks of directly getting involved in fraudulent banking practices, but this actually makes all parties happy in the process.

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